

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI

INFO AMCONSUL HONG KONG

USLO PEKING

AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 063768

E.O. 11652:GDS

TAGS: ENRG, CH, TW

SUBJECT: CLINTON OIL ABANDONS PLANS FOR DRILLING IN
ZONE 4 CONCESSION

REFERENCE: STATE 59475

1. ON MARCH 20, CLINTON OIL COMPANY CHAIRMAN RICHARD VOLK MET WITH EA DEPUTY ASSISTANT SECRETARY EDMOND TO DISCUSS CLINTON/SUPERIOR'S DECISION NOT TO PROCEED AT THIS TIME WITH TEST DRILLING IN ITS ZONE 4 CONCESSION (REFTEL). VOLK SAID THAT CLINTON'S LONDON REPRESENTATIVE, TED FINDEISS, WOULD TRAVEL TO TAIWAN MARCH 26 OR 27 TO INFORM CPC OF THE DECISION. HE REQUESTED OUR APPROVAL FOR AN EMBASSY OFFICER TO ACCOMPANY FINDEISS TO THE MEETING WITH CPC.

2. FINDEISS WILL INFORM CPC THAT SUPERIOR'S DECISION TO WITHDRAW FROM THEIR AGREEMENT WITH CLINTON WAS BASED PRI-
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MARILY ON THE ADVICE OF THE DEPARTMENT. VOLK IS CONCERNED

THAT CPC BE FULLY AWARE OF OUR ADVICE TO AMERICAN OIL FIRMS ON DRILLING IN DISPUTED WATERS IN ORDER TO PRESERVE THE "CREDIBILITY" OF HIS FIRM; HENCE THE REQUEST FOR EMBASSY BACKING. FYI. CLINTON WAS PLACED UNDER THE JURISDICTION OF THE KANSAS FEDERAL COURT IN 1972 AS A RESULT OF DIFFICULTIES WITH THE SEC. VOLK, AS COURT-

APPOINTED TRUSTEE, IS CONCERNED THAT AS A RESULT OF THESE PROBLEMS, CPC MAY DOUBT THE FIRM'S AUTHENTICITY. END FYI. VOLK IS HOPEFUL THAT SOME ARRANGEMENT CAN BE WORKED OUT WITH CPC SO THAT CLINTON WILL NOT HAVE TO PAY A FINANCIAL PENALTY FOR FAILURE TO CARRY OUT THE TERMS OF ITS AGREEMENT WITH CPC.

3. EDMOND TOLD VOLK THAT WE HAD NO OBJECTION TO PROVIDING AN EMBASSY OFFICER TO ACCOMPANY FINDEISS IN ORDER TO CLARIFY TO CPC THE DEPARTMENT'S ADVICE TO AMERICAN FIRMS REGARDING DRILLING IN DISPUTED WATERS. IN RESPONSE TO EDMOND'S STATEMENT THAT WE COULD NOT LEGALLY PREVENT US FIRMS FROM PROCEEDING AGAINST OUR ADVICE, VOLK REPLIED THAT HE UNDERSTOOD THAT CLINTON COULD NOT CITE USG ADVICE IN CLAIMING FORCE MAJEURE.

4. FINDEISS WILL MAKE HIS OWN APPOINTMENT WITH CPC VICE PRESIDENT Y.F. YANG AND WILL CONTACT EMBASSY UPON ARRIVAL TAIPEI. REQUEST ECONOMIC COUNSELOR JOE KYLE ACCOMPANY FINDEISS TO MEETING WITH YANG TO CLARIFY, AS NECESSARY, STANDARD USG ADVICE ON EXPLORATION BY US FIRMS IN DISPUTED WATERS.

5. WE ARE TODAY POUCHING FOR YOUR INFORMATION, COPY OF LETTER TO VOLK FROM SUPERIOR OIL COMPANY TERMINATING THE LATTER'S AGREEMENT WITH CLINTON. IN ADDITION, WE ARE ENCLOSING A LETTER FROM Y.F. YANG TO FINDEISS AGREEING TO CLINTON'S REQUEST FOR A SIX-MONTH EXTENSION (TO SEPTEMBER 25, 1975) ON ITS DRILLING COMMITMENT. INGERSOLL

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